

Message Text

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14

ACTION EA-14

INFO OCT-01 ISO-00 EB-11 AGR-20 CIAE-00 COME-00 INR-10

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INFO AMCONSUL HONG KONG

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E.O. 11652: N/A

TAGS: ETRD, EAGR, BTRA, CH

SUBJ: US COTTON MERCHANT VISITS PEKING

REF: HONG KONG 9022

SUMMARY: US COTTON DEALER JULIEN HOHENBERG SPENT SEVEN DAYS IN PEKING TALKING WITH OFFICIALS OF THE CHINA NATIONAL TEXTILES IMPORT AND EXPORT CORPORATION. HE SOLD NO COTTON, BUT BELIEVES FOUNDATION WAS LAID FOR FUTURE BUSINESS. HE BELIEVES US DELIVERIES OF COTTON TO CHINA IN 1973 WILL BE HIGHER THAN DEPARTMENT'S ESTIMATE OF 810 THOUSAND BALES. END SUMMARY.

1. US COTTON DEALER JULIEN HOHENBERG VISITED PEKING FROM SEPTEMBER 10 TO 17. HE HAD NOT COME TO SELL COTTON (SEE REFTTEL) AND DID NOT CONCLUDE ANY CONTRACTS. HE DID OFFER TO SELL SOME COTTON AT CURRENT HIGH WORLD MARKET PRICE OF DOLS 400 PER BALE, BUT WAS TOLD BY TEXTILES CORPORATION OFFICIALS THAT THEY HAVE LOWER OFFERS FROM JAPANESE SOURCES WHO TOOK POSITIONS WHEN PRICES WERE LOWER.

2. THE CHINESE WERE DEFINITELY INTERESTED IN FURTHER PURCHASES HOHENBERG SAID, BUT THEY WERE NOT DESPERATE. EARLIER THIS YEAR, TEXTILE OFFICIALS TOLD HIM, THEIR INSTRUCTIONS
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HAD BEEN TO BUY FROM ANYONE AT ANY PRICE. THEY ATTRIBUTED

HEAVY PRC PURCHASES LAST FALL AND THIS SPRING TO A POOR 1972 DOMESTIC CROP, HOHENBERG SAID, BUT THEY SHOWED NO SIGNS OF APPREHENSION OVER CROP PROSPECTS THIS YEAR.

3. HOHENBERG WAS SATISFIED THAT HIS VISIT LAID A FOUNDATION FOR FUTURE BUSINESS. TEXTILE OFFICIALS SAID THEY WISH TO "DEAL DIRECT" IN FUTURE PURCHASES OF US COTTON AND WOULD BE HAPPY TO PURCHASE FROM HOHENBERG'S FIRM. HOHENBERG BELIEVES HE IS NOW THE SECOND US DEALER TO HAVE HELD DIRECT TALKS WITH THE CHINESE SINCE THEY DECIDED TO BYPASS THIRD COUNTRY BROKERS WHO HANDLED INITIAL SINO-US COTTON TRANSACTIONS. IN JULY, A US CALCOT REPRESENTATIVE VISITED PEKING (SEE PEKING 0625), AND HOHENBERG BELIEVES CALCOT SOLD A SMALL AMOUNT OF US COTTON THEN, FOR 1974-75 DELIVERY.

4. COMMENTING ON USLO OFFICER'S STATEMENT (BASED ON STATE 170718) THAT US WOULD DELIVER 810 THOUSAND BALES OF COTTON TO CHINA THIS YEAR, HOHENBERG INSISTED THE FIGURE WOULD BE HIGHER. ACCORDING TO HIS INFORMATION, 550-600 THOUSAND BALES WERE SHIPPED BETWEEN JANUARY AND JULY 1973 AND ANOTHER 800 THOUSAND BALES WILL BE DELIVERED BETWEEN THIS SEPTEMBER AND JANUARY 1974. MOST OF THIS COTTON WILL BE DELIVERED AT A PRICE OF DOLS 200 A BALE, HE ADDED. HOHENBERG BELIEVES US COMMITMENTS FOR 1974-75 AMOUNT TO 175-200 THOUSAND BALES, FOR DELIVERY BEGINNING IN DECEMBER 1974. PRICE OF LATTER COTTON WILL BE ABOUT DOLS 300 PER BALE, HE SAID.

5. HOHENBERG BELIEVES ONGOING PRC INTEREST IN US COTTON STEMS FROM FACT THAT CHINA HAS BOOKED HEAVY EXPORT ORDERS FOR TEXTILES OVER PAST EIGHTEEN MONTHS AND NOW HAS HIGHER DEMAND FOR RAW MATERIAL THAN BEFORE 1972. COMPARED TO PAKISTAN AND OTHER TRADITIONAL PRC SUPPLIERS, HE SAID, US IS HIGHLY DEPENDABLE SOURCE OF GOOD QUALITY COTTON AND IT IS NOT SURPRISING CHINESE SHOULD WANT TO AVAIL THEMSELVES OF THIS EXCELLENT SOURCE OF SUPPLY.
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